**Hearst Power Distribution Co. Ltd. (Hearst Power)**

**Response to Staff Questions**

**January 24, 2024**

Please note, that Hearst Power is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), unless filed in accordance with rule 9A of the OEB’s Rules of Practice and Procedure.

# **Staff Question 1**

**Ref: 2024 IRM Rate Generator, Tabs 18 and 20**

On December 7th, 2023, the OEB issued a decision and order regarding the 2024 Wholesale Market Services rate (WMS) and the Rural or Remote Electricity Rate Protection charge (RRRP).[[1]](#footnote-1)

OEB staff has updated Tab 18 of Hearst Power’s Rate Generator with the revised RRRP charge of $0.0014 per kWh as follows:



1. Please confirm the accuracy of the Rate Generator update, as well as the accuracy of the resulting Regulatory Charges following these updates.

**Response: Hearst Power confirms that the revised rates are accurate.**

# **Staff Question 2**

**Ref: 2024 IRM Rate Generator Model, Tabs 11, 15, and 20**

On September 28th, 2023, the OEB issued a letter regarding 2024 preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates (RTSR).[[2]](#footnote-2) The OEB determined the use of preliminary UTRs to calculate 2024 Retail Service Transmission Rates (RTSRs) to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. On December 14th, 2023, the OEB approved Hydro One Network Inc’s final host RTSRs.[[3]](#footnote-3)

OEB staff has updated Hearst Power’s Rate Generator with the preliminary UTRs and updated host RTSRs by HONI as follows:

**UTRs**

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**Hydro One Sub-Transmission Rates**

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1. Please confirm the accuracy of the Rate Generator updates, as well as the accuracy of the resulting Retail Transmission Service Rates.

**Response: Hearst Power confirms that the revised rates are accurate.**

# **Staff Question 3**

**Ref: 2024 IRM Rate Generator Model, Tab 3**

On September 12th, 2023, the OEB published the 2023 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance, and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors, and other rate-regulated entities.

1. Please confirm whether Hearst Power has adopted the 2023 Q4 interest rates published by OEB in the rate generator.
2. If not, please update the Continuity Schedule as necessary to reflect the Q4 2023 OEB prescribed interest rate of 5.49%

**Response: Hearst Power has updated the IRM model and recalculated the continuity schedules interest rates. Please see model attached.**

# **Staff Question 4**

**Ref: 2024 IRM GA Analysis Workform, Tab Account 1588, Cells F20, G20**

Reference Cell F20 shows no amount for Account 4705- Power Purchased, which results in 0.0% of the reasonability test in Cell G20.

1. Please explain the vacancy in Cell F20. If needed, please revise the GA Workform.

**Response: Hearst Power has updated the referenced cell to show the balance of $5,574,113.27. Please see model attached.**

**In making this correction, the reasonability test shows a variance of -2.1% which exceeds the threshold of +/- 1 %.**

**The reason for the variance is a larger billed volume due to the 2021 COS calculated and approved loss factor, the same as explained in the utility’s 2023 rates referenced below.**

**Hearst notes that the issue will continue until its next cost of service where the utility recalculates its line losses and reduces the Loss Factor by 0.0138.**

**(Ref: EB-2022-0037 Hearst Power Response to OEB IRs Dec 22. Question OEB Staff-4).**

***Hearst Power Response:*** *Hearst Power has investigated the variance and has determined that it is attributed to the line losses, more specifically the Supply Facility Loss Factor (“SFLF”), approved in the 2021 Cost of Service vs the actual line losses that the utility is being charged.*

*At the time of the 2021 Cost of Service, Hearst Power used the OEB’s criteria to calculate its Supply Facility Loss Factor which included a weighting average of IESO controlled, Hydro One controlled and embedded generation. Hearst Power used a 1.0340 for the Hydro One portion as instructed in the directions from the OEB however, the actual* ***Hydro One SFLF billed*** *to Hearst Power* ***contains two rates****. More specifically, the Hydro One SFLF invoiced to Hearst Power includes a supply loss charge ratio of about 12% at 1.034 and 88% at 1.0060.*

*In EB-2020-007, the Board Approved line loss that was set at 5.98% but when considering the actual SFLF paid to Hydro One, it should have represented 4.60%. Hearst Power was not aware of the divergence prior to these interrogatories, the discussion with Hydro One and a review of the Hydro One provided Totalization tables. The variance calculated and identified in the GA workform can be attributed to the difference in the actual vs Board Approved SFLF loss factor. In numbers, the variance of -1.6% is explained by a higher charged SFLF of 5.98% instead of 4.6% which represents -$64,585.84 in account 1588 and is equal to 87% of the $74,109 variance.*

**Line Loss from Cost of Service**

|  |  |  |  |
| --- | --- | --- | --- |
|   | **Historical Years** | **5-Year Average** |  |
| **2015** | **2016** | **2017** | **2018** | **2019** |  |
|   | ***Losses Within Distributor's System*** |  |
| **A(1)** | "Wholesale" kWh delivered to distributor (higher value) | 83,976,623 | 82,278,142 | 80,860,964 | 81,246,992 | 81,435,722 | 81,959,689 | 81,959,689 |
| **A(2)** | "Wholesale" kWh delivered to distributor (lower value) | 83,858,854 | 82,168,544 | 80,785,628 | 81,140,149 | 81,342,264 | 81,859,088 | 81,859,088 |
| **B** | Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s) | - | - | - | - | - | - | - |
| **C** | Net "Wholesale" kWh delivered to distributor = **A(2) - B** | 83,858,854 | 82,168,544 | 80,785,628 | 81,140,149 | 81,342,264 | 81,859,088 | 81,859,088 |
| **D** | "Retail" kWh delivered by distributor | 81,102,524 | 79,434,938 | 77,270,822 | 78,280,120 | 77,748,075 | 78,767,296 | 78,767,296 |
| **E** | Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s) |  | - | - | - | - | - | - |
| **F** | Net "Retail" kWh delivered by distributor = **D - E** | 81,102,524 | 79,434,938 | 77,270,822 | 78,280,120 | 77,748,075 | 78,767,296 | 78,767,296 |
| **G** | Loss Factor in Distributor's system = **C / F** | 1.0340 | 1.0344 | 1.0455 | 1.0365 | 1.0462 | 1.0393 | 1.0393 |
|   | ***Losses Upstream of Distributor's System*** |  |
| **H** | Supply Facilities Loss Factor | 1.0198 | 1.0198 | 1.0198 | 1.0198 | 1.0198 | 1.0198 | 1.0065 |
|   | ***Total Losses*** |  |
| I | Total Loss Factor = **G x H** | 1.0544 | 1.0549 | 1.0662 | 1.0570 | 1.0669 | 1.0598 | 1.0460 |
|  |  |  |  |  |  |  |  |  |
|  | As per OEB default formula, which was submitted and approved in EB-2020-0027 🡪 |  |  | **2019** |  |
|  |  |  | IESO | 27040995 | 0.3321 | 1.0045 | 0.3335 |  |
|  |  |  | Hydro One | 43814453 | 0.5380 | 1.0340 | 0.5563 |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  | MicroFit | 606999 | 0.0075 | 1.0000 | 0.0075 |  |
|  |  |  | Fit | 9973274 | 0.1225 | 1.0000 | 0.1225 |  |
|  |  |  | **Total**  | **81435721** | **0.8701** | **2.0385** | **1.0198** |  |

|  |  |
| --- | --- |
| As per actual charged SFLF 🡪 | **2019** |
| IESO | 27,040,995 | 33% | 1.0045 | 0.3335 |
| Hydro One | 5,257,734 | 6% | 1.0340 | 0.0668 |
| Hydro One (IMOH rate) | 38,556,719 | 47% | 1.0060 | 0.4763 |
| MicroFit | 606,999 | 1% | 1.0000 | 0.0075 |
| Fit | 9,973,274 | 12% | 1.0000 | 0.1225 |
| **Total**  | **81,435,721** | **100%** | **2.0385** | **1.0065** |

# **Staff Question 5**

**Ref: 2024 IRM GA Analysis Workform**

The two tables in Note 8-Breakdown of principal adjustments included in last approved balance of Tab “Principle Adjustment” are not completed.

1. Please update these two tables in GA Workform.

**Response: Hearst Power did not have any Principal Adjustments in 2022. The nil balance in Tab “Principal Adjustments” is consistent with the nil balance in column BF of Tab 3 Continuity Schedule of the IRM model.**

**Transactions are recorded in column BD of Tab 3 Continuity Schedule of the IRM model.**

# **Staff Question 6**

**Ref: 2024 IRM rate Generator Model, Tab 3, Cells C58, BW23, BW25 & BV25**

References Cell C58 states that “RRR balance for Account 1580 RSVA - Wholesale Market Service Charge should equal to the control account as reported in the RRR. This would include the balance for Account 1580,Variance WMS – Sub-account CBR Class B.”

OEB staff notes that the control account 1580 in the continuity schedule excludes balances in CBR Class A and CBR Class B. The control account in RRR includes the balances of the two sub-accounts. Therefore, in the variance column, it is expected to see a variance in cell BW23 equaling the RRR balance of 1580 Sub-account CBR Class B in cell BV25.

1. Please explain why there is a variance in Cell BW25, and why the variance in Cell BW23 is not equal to the RRR balance in Cell BV25.
2. Please revise the schedules or the RRR filing (2.1.7) as needed. If not, please explain.

**Response: Hearst Power has updated its RRR balance of 1580 Sub-accounts CBR Class B after receipt of the OEB Staff questions. The variance in Cell BW23 should match the value in Cell BV25 once the IRM model received the updated data from the RRR filings.**

# **Staff Question 7**

**Ref: 2024 IRM rate Generator Model, Tab 18**

**Ref: 2024 IRM rate Generator Model, Tab 20**

On October 19, 2023, the OEB announced that electricity prices under the Regulated Price Plan (RPP) for households, small business and farms will increase as of November 1, 2023. The current Time-of-Use (TOU) hours and the change in the threshold for residential customers on tiered pricing took effect November 1, 2023. Also, effective November 1, 2023, the Ontario government’s Ontario Electricity Rebate (OER) increased to 19.3%.

OEB staff has updated Hearst Power’s Rate Generator, Tab 18 with the updated TOU pricing and Tab 20 with the OER as follows:

**TOU:**



**OER:**



* 1. Please confirm the accuracy of the Rate Generator updates, as well as the accuracy of bill impacts.

**Response: Hearst Power confirms that the revised rates are accurate.**

# **Staff Question 8**

**Ref: 2024 IRM Manager Summary, PDF Page 9, Line 9**

**Ref: 2024 IRM Rate Generator Model, Tab 17, Cell D13**

In the Manager Summary, Hearst Power states that it is not seeking a Price Cap Index adjustment in 2024[[4]](#footnote-4). However, in the Rate Generator, there is a 4.8% Price Cap Index applied in Tab 17 of the model.

1. Please provide a more detailed explanation of why Hearst Power is forgoing the inflationary increase for its 2024 rates.
2. Please update the rate generator to match Hearst Power’s request as per its Manager’s Summary or explain the discrepancy noted above.
3. Please provide Hearst Power’s most recent Return on Equity (ROE).

**Response: Hearst confirms that it is seeking the price cap adjustment and that the statement indicating otherwise was an error in the drafting of the evidence.**

**To most recently achieved Return on Equity (ROE) is 7.50 for the year 2022, which is a -0.74 difference from the 2021 COS deemed ROE of 8.34. This difference is within the + or – 3% deadband. Hearst Power has extracted and attached the PDF version of the ROE that was filed as part of its RRR 2.1.5.6.**

**Hearst Power did not update the IRM model as the Price Cap Index at tab 17 is correct.**

1. EB-2023-0268, Decision and Order, page 1 [↑](#footnote-ref-1)
2. EB-2023-0222, OEB Letter, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, issued September 28, 2023 [↑](#footnote-ref-2)
3. EB-2023-0030, Partial Decision and Rate Order, page 12 [↑](#footnote-ref-3)
4. Hearst Power IRM Manager Summary, PDF Page 9, Line 9, November 22, 2023 [↑](#footnote-ref-4)